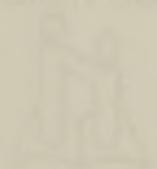


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THE BOARD OF EDUCATION
FOR THE CITY OF HAMILTON



ANNUAL REPORT
1995



**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
ANNUAL REPORT
1995**

Prepared by:

**Irene Polidori, CMA, C.A.
Manager, Financial Services**

Submitted by:

**Paul E. Shewfelt, CMA
Superintendent of Financial Services and Treasurer**

Approved by:

**Donald W. Goodridge
Director of Education and Secretary of the Board**


Paul E. Shewfelt, CMA
Superintendent of Financial Services and Treasurer
March 21, 1996

The Board of Education for the City of Hamilton
Le Conseil de l'éducation de la ville de Hamilton



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Office of the Superintendent of Finance and Treasurer

Bureau du surintendant des finances et du trésorier

MANAGEMENT REPORT

The accompanying financial statements and other information contained in this Annual Report are the responsibility of the management of The Board of Education for the City of Hamilton.

These financial statements have been prepared by Financial Services using accounting principles that are prescribed by the Ministry of Education and Training and are considered to be appropriate for Ontario School Boards. The presentation adopted for these financial statements is in accordance with subsection 234(7) of the *Education Act* which dictates the financial data which is to be made available to the Board's ratepayers through publication of the statements. Financial statements are not precise as they include certain amounts based on estimates and judgements. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

The Board maintains systems of internal accounting and administrative controls that are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Board's assets are properly accounted for and adequately safeguarded.

The elected Trustees for the Board of Education for the City of Hamilton are responsible for ensuring that management fulfils its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the financial statements.

The financial statements have been audited by MacGillivray Partners, Chartered Accountants, the external auditors appointed by the Trustees. In accordance with subsection 234(4) of the *Education Act*, the auditors have received full access to all books, records and documents of the Board, as well as any other information required in order to enable the auditors to carry out their duties. The audit was conducted in accordance with generally accepted auditing standards on behalf of the Trustees and ratepayers of the Board as outlined in the Auditors' Report.

Paul E. Shewfelt, CMA
Superintendent of Financial Services and Treasurer
March 31, 1996

MacGillivray Partners

Chartered Accountants

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Hamilton, Ontario L8P 4V2
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Facsimile: (905) 572-9333

AUDITORS' REPORT

To the Trustees of
**The Board of Education for the
City of Hamilton**

We have audited the balance sheet of **The Board of Education for the City of Hamilton** as at December 31, 1995 and the Revenue Fund Statement of Operations, the Capital Fund Statement of Operations and the Reserve Fund Statement of Continuity for the year then ended. These financial statements are the responsibility of the school board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1995 and the results of its operations and the changes in its reserve funds for the year then ended in accordance with the accounting principles described in note 1 to the financial statements.

Hamilton, Canada
March, 29, 1996

MacGillivray Partners

CHARTERED ACCOUNTANTS

THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
BALANCE SHEET
DECEMBER 31, 1995

ASSETS	1995 (\$000's)	1994 (\$000's)
CURRENT ASSETS		
Cash and Short-Term Deposits (note 2)	684	6,751
Accounts Receivable		
Under Requisition		639
Other School Boards	2,322	1,727
Government of Ontario	8,932	9,841
Other	1,405	1,187
Prepaid Expenses	2,905	3,031
Other Current Assets	54	76
	<u>16,302</u>	<u>23,252</u>
 CAPITAL OUTLAY TO BE RECOVERED IN FUTURE YEARS	 27,371	 21,056
TOTAL ASSETS	43,673	44,308
LIABILITIES	1995 (\$000's)	1994 (\$000's)
CURRENT LIABILITIES		
Accounts Payable		
Over Requisition	1,083	
Trade Payables and Accrued Liabilities	14,137	13,158
Deferred Income	2,790	2,365
	<u>18,010</u>	<u>15,523</u>
 NET LONG-TERM LIABILITIES (note 3)	 14,127	 15,340
 RESERVE FOR WORKING FUNDS	 5,800	 5,800
 EQUITY IN RESERVE FUNDS	 5,736	 7,645
TOTAL LIABILITIES AND FUND BALANCES	43,673	44,308

THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
REVENUE FUND STATEMENT OF OPERATIONS
DECEMBER 31, 1995

	1995 (\$000's)	1994 (\$000's)
EXPENDITURE		
Business Administration	4,817	5,051
General Administration	1,687	1,732
Computer Services	4,031	4,136
Instruction	198,441	207,962
Plant Operation and Maintenance	28,732	31,254
Transportation	5,554	5,670
Tuition Fees	5,247	5,184
Capital Expenditures (Non-Allocable)	2,304	2,849
Debt Charges (note 4)	2,450	2,262
Other Operating Expenditures	4,378	4,276
Non-Operating Expenditures Excluding Transfers to Reserves	3,975	3,110
TOTAL EXPENDITURE	261,616	273,486
RECOVERY OF EXPENDITURE		
Other School Boards - Tuition Fees & Miscellaneous	12,809	14,984
Government of Ontario - Miscellaneous	2,893	2,302
Government of Canada	270	126
Individuals - Tuition Fees	594	653
Other Revenues Excluding Transfers from Reserves	3,066	2,377
TOTAL RECOVERY OF EXPENDITURE	19,632	20,442
NET EXPENDITURE	241,984	253,044
FINANCING OF NET EXPENDITURE		
Government of Ontario - General Legislative Grants	78,216	78,047
Local Taxation -		
Previous Year's (Under) Over Requisition	(639)	5,151
Local Taxation Raised in Current Year	164,000	162,965
Decrease in Reserves other than Reserve for Refund of Taxes	1,490	6,242
	243,067	252,405
To be Applied to the Following Year's Taxation - Net (Over) Under Requisition	(1,083)	639
TOTAL FINANCING	241,984	253,044

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
CAPITAL FUND STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995**

	1995 (\$000's)	1994 (\$000's)
CAPITAL EXPENDITURE		
Capital Assets and Work in Progress	10,441	9,503
Buildings, Furniture and Equipment		
TOTAL CAPITAL EXPENDITURES	10,441	9,503
CAPITAL FINANCING		
Balance Not Permanently Financed at Beginning of Year	(6,622)	(3,979)
Long-Term Liabilities Issued and Sold		2,052
Capital Expenditure from the Revenue Fund	3,525	4,808
Balance Not Permanently Financed at End of Year	13,538	6,622
TOTAL CAPITAL FINANCING	10,441	9,503

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
RESERVE FUND STATEMENT OF CONTINUITY
FOR THE YEAR ENDED DECEMBER 31, 1995**

	Capital (\$000's)	Retiring Gratuities (\$000's)	Mill Rate Stabilization (\$000's)	Restructuring (\$000's)	Integrated Info. Systems (\$000's)	1995 Total (\$000's)	1994 Total (\$000's)
BALANCE DECEMBER 31, 1994	884	4,853	1,494	200	214	7,645	13,835
Transfer from Revenue Fund to Reserve Fund	---	1,620	---	---	---	1,620	1,573
Total amount provided during the year from the Revenue Fund	1,244	---	---	---	---	1,244	117
Earnings on Reserve Fund Investments	99	321	52	12	10	494	516
Transfers to Other Funds	2,227	6,794	1,546	212	224	11,003	16,041
	903	2,669	1,495	---	200	5,267	8,396
BALANCE DECEMBER 31, 1995	1,324	4,125	51	212	24	5,736	7,645

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995**

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by the Board using accounting principles that are prescribed by the Ministry of Education and Training and are considered appropriate for Ontario School Boards. These principles are in accordance with generally accepted accounting principles except as follows:

(a) Accrual Accounting

Revenue and expenditure are accounted for on the accrual basis of accounting, with the following exceptions:

- (i) No provision is made for interest on unmatured debenture debt from the date of payment to the year end.
- (ii) No provision is made to record the liability for retirement and/or sick leave benefits accruing over the working lives of employees.

(b) Capital Assets

Capital assets are charged to current expenditure unless financed by long-term debt. Principal and interest charges on net long-term liabilities are included as expenditures in the period due. Capital assets, described as Capital Outlay to be Recovered in Future Years, are included on the Balance Sheet only to the extent of the balance of the related net long-term liabilities outstanding and of the related temporary financing at the year end.

(c) Reserves and Reserve Funds

Reserves and Reserve Funds represent funds appropriated for general and specific purposes and are charged or credited to Revenue Fund Operations in the year appropriated or drawn down. The amounts in Reserves and Reserve Funds are approved by the Board and are within the limits defined in *The Education Act*.

(d) Under/Over Requisition of Taxes

The difference between the net expenditures of any year and the amounts received to finance these expenditures is carried forward to the subsequent year to either increase or reduce the net revenue requirement from ratepayers.

(e) Supplementary Taxes and Chargeback of Taxes

Supplementary taxes are deferred in the year received and recorded as revenue in the following year. Chargeback of taxes are recorded in the year of repayment.

2. RESTRICTED FUNDS

Cash and short-term deposits of \$684,000 are restricted in order to partially fund the equity in reserve funds. Assets of the reserve funds are being used as temporary internal financing.

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995**

3. NET LONG-TERM LIABILITIES

The net long-term liabilities consist of debentures of \$13,986,000 (1994 - \$15,340,000) and capital leases for equipment of \$141,000. The debentures have a retractable feature, exercisable on specific dates only, at the option of the debenture holders. Of the net long-term liabilities outstanding of \$14,127,000, principal amounting to \$3,246,000 plus interest amount to \$8,599,000 is payable over the next five years as follows:

	Principal	Interest	Total
1996	\$ 667,000	\$ 1,706,000	\$ 2,373,000
1997	672,000	1,725,000	2,397,000
1998	654,000	1,726,000	2,380,000
1999	647,000	1,721,000	2,368,000
2000	606,000	1,721,000	2,327,000
TOTAL	\$ 3,246,000	\$ 8,599,000	\$ 11,845,000

4. DEBT CHARGES

The Revenue Fund expenditure for debt charges includes principal and interest payments made on debentures as follows:

Principal payments on long-term liabilities	\$ 656,000
Interest payments on long-term liabilities	\$ 1,794,000
	<u>\$ 2,450,000</u>

5. RETIREMENT GRATUITIES PLANS

Employees may become entitled to cash payments when they leave the employment of the Board for purposes of retirement providing they meet the prescribed age or service requirements. Retirement gratuities of \$2,669,000 were paid in 1995, (1994 - \$3,302,000). An amount of \$4,125,000 (1994 - \$4,853,000) is provided by way of a reserve fund which has been funded in accordance with a 1987 Actuarial Report. A 1995 Actuarial Report indicates an increase to the funding is required in order to adequately provide for the benefits under the gratuity program. The amount of the total liability in respect of employees who meet the vesting requirements of the plans at the end of 1995 is \$41,038,000, (1994 - \$39,104,000). Notwithstanding the use of reserve funds, recognition for General Legislative Grants purposes continues to be made in respect of the actual amounts paid to employees.

6. PENSION PLAN COSTS

All non-teaching employees of the Board are eligible to be members of the Ontario Municipal Employees Retirement System which is a multi-employer final average pay contributory plan. Employer contributions made to the plan during the year by the Board amounted to \$2,585,000, (1994 - \$2,368,000). Those amounts have been included in the Revenue Fund Statement of Operations.

Not shown in the financial statements of the Board are the employer's contributions to the Teachers' Pension Plan. The funding for such is provided directly by the Provincial Government.

**THE BOARD OF EDUCATION FOR THE CITY OF HAMILTON
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995**

7. ONTARIO SCHOOL BOARD INSURANCE EXCHANGE

The Board is a member of the Ontario School Board Insurance Exchange (OSBIE), a reciprocal insurance company licensed under the Insurance Act. OSBIE insures general public liability, property damage and certain other risks. The membership period is for five years, ending December 31, 1996.

8. LEASE COMMITMENTS

The Board currently leases telephone and computer equipment under long-term leases expiring at various dates up to December 1999. The total obligation under existing leases amount to approximately \$1,777,000. Over the next four years the minimum annual payments required under the leases are:

1996	\$ 1,158,000
1997	454,000
1998	150,000
1999	15,000
TOTAL	\$ 1,777,000

9. ONTARIO FINANCING AUTHORITY

The Board, the Government of Ontario and the Ontario Financing Authority (OFA) have entered into an agreement whereby certain capital assets are funded by loan advances from the OFA. During the year, the Board received loans totaling \$1,001,500 which have been recorded in the Revenue Fund Statement of Operations.

Effective March 31, 1995 the loans advanced from April 1, 1994 to March 31, 1995 together with accrued interest, were converted into a debenture payable to the OFA. The debenture is unsecured, bears interest at 9.40% and is repayable in semi-annual instalments over a twenty year period.

The agreement provides that the Government of Ontario will give annual grants equal to the principal and interest installments required by the debenture. The agreement specifies that the obligation to repay the debenture principal and interest is conditional upon the Board receiving the grants from the Government of Ontario.

As the Board has no obligation to make the semi-annual principal and interest payments unless the grants are received from the Government of Ontario, the debenture liability is not shown in the financial statements.

10. SOCIAL CONTRACT

The Social Contract Act requires that the Board reduce expenditures by a specified amount in the years 1993 through 1996. Grants will be reduced by a corresponding amount each year. For 1995, the social contract amount is \$7,620,000, (1994 - \$5,543,000) and this amount is reflected in the financial statements.

11. REVENUE FROM OTHER SCHOOL BOARDS

Under *The Education Act*, the Board is qualified to charge other school boards a high cost factor for students who take certain programs. As is their right under the Act, two school boards have elected resolution through arbitration, the outcome of which is not determinable at this time.

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